



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

May 7, 2009

Sharon Larkin, Vice President of HR
Abbott Vascular
3200 Lakeside Drive
Santa Clara CA 95054

Dear Ms. Larkin:

RE: **FINAL MONITORING VISIT REPORT** for Abbott Vascular – ET08-0300

Date of the Visit:	4/2/09
Beginning/Ending Time:	9:45 a.m. – 12:00 p.m.
Date of Last Visit:	11/20/08
Visit Location:	Temecula
Persons in attendance:	Fred Rose, Group Leader-Operations Training, Abbott; Philip Herrera, Administration Subcontractor, Herrera & Co; Ryan Swier, ETP Analyst
Action Required:	YES

CONTRACT INFORMATION:

Term of Agreement:	12/31/07-12/13/09	Agreement Amount:	\$1,470,600
Training Start Date:	1/3/2008	No. to Retain:	1900
Date Training must be Completed:	9/30/2009	Range of Hours:	24 - 200
Type of Trainee:	Retrainee	Weighted Ave. Hours:	43

*SUMMARY OF ACTION
REQUIRED FROM THIS VISIT:*

Issue needing action: Invoicing – Page 1

*ACTION ITEMS FROM THE PRIOR
VISIT:*

Project Status & Subagreements – Page 1

INVOICING

SACRAMENTO CENTRAL OFFICE
1100 J Street, 4th Floor
SACRAMENTO, CA 95814
(916) 327-5640

N. HOLLYWOOD REGIONAL OFFICE
4640 Lankershim Blvd., Suite 311
NORTH HOLLYWOOD, CA 91602
(818) 755-1313

S.F. BAY AREA REGIONAL OFFICE
1065 East Hillsdale Blvd, Suite 415
FOSTER CITY, CA 94404
(650) 655-6930

SAN DIEGO REGIONAL OFFICE
5353 Mission Center Road, Suite 110
SAN DIEGO, CA 92108
(619) 686-1920

www.etp.ca.gov
ETP (04/15/05)

As detailed later in this report, Abbott can potentially earn \$1,330,984 in reimbursement (90.5% percent of the Agreement amount), if all Agreement terms and conditions are met. As of the date of this report, Abbott Vascular had invoiced ETP for \$1,246,414.50 (93.6% of projected earnings) of which of which **\$0** is considered earned and approved by ETP. Therefore, Abbott has invoiced for over 75% of potential earnings. ETP current agreement states under section IV Payment Details, B:

Payments: *Payments may be made in three stages on a per-trainee basis, by Job Number.*

1. *The first Progress Payment (P1) will be approximately 25% of the Average-Cost-per Trainee, payable upon enrollment and after the first eight hours of training.*
2. *The second Progress Payment (P2) will be approximately 50% of the Actual Cost-per Trainee, payable upon completion of training. **Combined, these two payments cannot exceed 75% of the Actual Cost-per-Trainee.***
3. *The Final Payment (F) is payable at Fiscal Closeout, based on hours of training actually completed (with reference to the minimum and maximum hours) by trainees who met the retention and post-retention requirements, and as reconciled with the Progress Payments made to all trainees.*
4. *Invoicing P2 signifies that each trainee has completed all the training hours that may qualify for final reimbursement. Trainees invoiced for P2 will be deemed to have entered the retention period applicable to the job Number in which originally enrolled, and may only participate in additional training under a different Job Number.*

In order to comply with the terms and conditions of the Agreement, Invoice #2 (Progress Payment 2) submitted by Abbott for \$878,958 will be adjusted down by approximately \$248,000 before it is processed for payment. Please contact ETP Fiscal if you need more detailed information regarding the invoice adjustment.

In addition, in order to accurately track potential earnings and avoid an overpayment, you must drop all trainees who did not complete training. Drops must be submitted no later than 5/22/09.

ACTION ITEMS FROM PREVIOUS VISITS: Project Status & Subagreements

The contractor informed Mr. Swier on 2/22/09 that Abbott Vascular had submitted corrected eligible training information in the ETP online tracking system through January 2009. An administrative stop payment had been placed on the contract on 9/2008 as the data in the ETP online system was incorrect at prior visits. Mr. Swier reviewed a sample of the data at the monitoring visit which met ETP requirements. However, this was the only monitoring visit Mr. Swier was able to review records as all records from prior visit were deleted due to inaccuracies.

During the 10/21/08 visit the contractor stated they had used a couple of training subcontractors and had not entered them into ETP's online forms system. Mr. Swier requested the information be uploaded by 11/21/08. However, at this monitoring visit the contractor informed Mr. Swier that they did not use any training subcontractors during the term of this agreement.

FINAL REPORT SUMMARY

• HISTORY OF AGREEMENT CHANGES

The Agreement was executed on 2/1/08 and training began on 1/3/08. Your staff reported that all training was completed on 3/31/09, which allows for the 90-day retention period to be completed within the term ending date of the Agreement – 12/30/09.

ETP approved one modification to the agreement on 1/15/09, which added curriculum topics, revised all CBT standard hours to 0.5 per course, and added a range of CBT hours or 0-96.

Additional changes to the terms of the contract included:

- Allow reimbursement for CBT Rev-up/Document Review training that occurred prior to 11/20/08.
- Agreed to a combined total of 8 hours of CBT and/ or class/lab training in a day per trainee.
- Class/lab and CBT training must be tracked no more than 30 days after eligible training has occurred.

INTERVIEW WITH THE CONTRACTOR

The Contractor reported that ETP-funded training increased employee's skills in manufacturing and improved companywide productivity. The training was directed mainly to frontline employees concentrating in the manufacturing of the Abbott Vascular new Drug Eluting Stent. The new Drug Eluting Stent was anticipated to obtain 20% of the stents worldwide market but has exceeded expectations and is currently at 50% of the market. In order to keep up with demand, 1000 new operators were added in the Temecula plant during the past year.

Prior to the monitoring visit, the Contractor submitted an amendment request to add additional funds to the current agreement. However, due to the limited term of the current agreement (last day of training of 9/30/09 and end term date of 12/30/09) the contractor decided to closeout the current agreement. Abbott Vascular plans to apply for additional funding under a new agreement.

PROJECT STATUS

Job Number	Number to Retain	Number Enrolled in Training	Number of Trainees Dropped (following enrollment)	Number of Trainees Completed Minimum Hours	Number of Trainees Completed all Training (in Reten.)	Number of Trainees Completed Retention
1	1900	4936	226	2650	2650	0

The chart below lists the training hours provided to the 4561 trainees tracked on-line who reached the specified benchmarks:

NUMBER OF TRAINEES: (# TRAINEES)	HOURS COMPLETED	PERCENTAGE OF TOTAL ENROLLED
*1911	0.5-23.75	42%
1766	24-59.75	39%
654	60-94.75	14.5%
200	95-200	4.5%

****As previously cited in this report, in order to accurately reflect potential earnings and avoid overpayment Abbott must drop all trainees who will not complete training.***

As of the date of this report, the Contractor's statistics showed that 2650 trainees had completed a minimum of 24 hours of training to qualify for reimbursement. Mr. Swier explained to the contractor that the per trainee reimbursement for class/lab training is based on the total number of training hours completed by each trainee, provided the minimum 24 hours of training and no more than the maximum 200 hours of training are completed, and all other Agreement terms and conditions are met.

The aforementioned 2650 retrainees were provided a total of 28,052 **(\$504,936 or 38%) hours of class/lab training** and 103,256 **(\$826,048 or 62%) hours of CBT training**. Therefore, Abbott Vascular, Inc. can potentially earn \$1,330,984 in reimbursement (90.5% percent of the approved Agreement amount), if all Agreement terms and conditions are met. As previously reported, Abbott has submitted progress payment invoices for \$1,246,414.50 (93.6 percent of projected earnings) of which **0** has been earned.

ATTENDANCE ROSTERS

During the Monitoring Visit, Mr. Swier randomly selected the attendance records of five enrolled trainees. The review of the records revealed that the five trainees had completed from 26 – 105.5 hours of class/lab training. The review sample consisted of class/lab and CBT courses for training provided from January 2, 2008 through January 19, 2009. Mr. Swier compared the information in the ETP on-line class/lab tracking system with Abbott's LMS system to ensure that the information was consistent.

The review of the LMS revealed that the information in the ETP online Tracking system was in accordance with Title 22, California Code of Regulations, Section 4442, Record Keeping and consistent with information in the ETP on-line tracking report.

INVOICES

Progress Payment 1 (PP1) in the amount of \$367,456.50 was received on 9/2/08 and approved on 9/3/08. Progress Payment 2 (PP2) in the amount of \$878,958 was received on 4/7/09 and is pending approval. The Contractor informed Mr. Swier that they will submit the final invoice after the 90 day retention period, which will be 6/31/09.

AUDIT

Abbott Vascular, Inc. will be notified in writing if this agreement is selected for an audit, conducted either at your site (field audit) or by telephone (desk audit or "review"). The Audit Notification and Audit Confirmation letters will be sent in advance to allow ample preparation

time and will include a list of documents that will be examined by the auditor. To provide support of training, original training attendance documentation is required; photocopied records are not acceptable. Listed below are types of records typically requested during an ETP field audit:

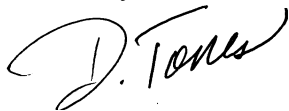
- Training attendance records such as rosters, sign-in sheets, etc.
- Payroll records of individual trainees to verify wage and hours worked
- Personnel records regarding occupation and dates of employment
- Documentation of employer paid health benefits (if applicable)
- Cash receipts to verify receipt and accounting of ETP funds

RECORD RETENTION:

Records must be retained within your control and be available for review at your place of business within the State of California. This responsibility will terminate no sooner than four (4) years from the date of the termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later.

If you have any questions or comments regarding the information contained in this letter, please contact Ryan Swier at (619) 686-1902, or e-mail him at rswier@etp.ca.gov within ten (10) working days from the receipt of this letter.

Sincerely,



Diana Torres, Manager
San Diego Regional Office



Ryan Swier, Contract Analyst
San Diego Regional Office

cc: Fred Rose, Group Leader-Operations Training, Abbott Vascular
Philip Herrera, Herrera & Company

Brian McMahon, Executive Director, ETP
Dave Guzman, Chief of Program Operations, ETP
Kulbir Mayall, Manager, Fiscal and Certification, ETP
Master File
Project File